

CHANGE IN THE RATE OF VAT AND OTHER NEW FISCAL PROPOSALS

Dear Client,

We trust you have noted the proposed change in the rate of VAT - 16.5% (previously 15.5%). The effective date is unknown.

Do note the following:

1. On the sale of goods/products, the date of transfer (viz. handing over) is the determining date.
2. Property deals - determining date is the date of transfer of rights (viz. generally ownership).
3. Rentals - On receipt of income.
4. Services on cash basis - determining date is date of receipt of the money.
5. Services not on cash basis - date service is provided.

Amongst the proposals - related to the new budget for 2009/10, and not yet approved by the Knesset - are the cancellation of zero Vat on services to tourists (hotel accommodation and related services), the reduction of individual taxes (for period from 2010 (44% maximum) to 2016 (39% maximum), and corporate taxes from 25% (2009) to 18% (2015). It is proposed to form a committee to review the Mas Shevach (Capital Gains Tax) on sale of property exemption.

In addition, it is proposed to increase the ceiling for Bituach Leumi (National Insurance) from NIS 38,415 monthly to NIS 61,342.

Clients should monitor the above closely, as the increase in monthly Bituach Leumi payments may be material. We do have some planning ideas.

We will be glad to discuss and plan.

Chag Sameach from the Broide Team!

Sivan 5769
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